

MIKE CAUSEY

THE FEDERAL DIARY

Hill Panel Works on New Retirement System

Negotiations that could lead to a revamped retirement system for the government's 2.8 million workers opened yesterday in the House Post Office-Civil Service Committee.

The immediate issue is creation of a retirement program for federal workers hired since January. But in the background is the question of what, if anything, will be done with the present system, which covers 340,000 workers in this area.

New federal hires pay into Social Security, as well as the Civil Service retirement system. Congress has until the end of next year to come up with a private sector-style pension program that takes into account dual payments to, and benefits from, the systems.

Federal workers hired before this year remain under the regular Civil Service retirement system, and have a vested interest in any changes that might be made in it. The Reagan administration feels the program is too costly, is more generous than plans available to most other American workers and needs to be revised.

The present Civil Service program—which costs employees 7 percent of gross salary—provides defined benefits. Federal workers now can retire at age 55 with 30 years of service and be guaranteed an annuity equal to about 56 percent of salary. Employees who put in 41 years get 80 percent of salary as an annuity. Most employees pay only the Medicare portion of Social Security (1.3 percent of salary) but not the rest of the Social Security tax.

Workers who are under the new system pay the full Social Security tax of 6.7 percent of salary. But the government, for the time being, is paying the employee share of the Civil Service retirement program.

Reagan administration officials hope that in devising a new retirement program for new federal workers—one that combines Social Security and Civil Service payments and benefits—Congress will also make changes in the regular Civil Service system. Those changes include raising the retirement age to 65, and requiring employees to put up to 9 percent of salary into the retirement fund.

At yesterday's session, committee Chairman Rep. William Ford (D-Mich.) made it clear that he thinks present Civil Service retirement benefits should be protected. Ford believes the administration is using

scare tactics when it talks about the multibillion-dollar "unfunded liability" of the Civil Service retirement program. That is the amount needed, but not yet collected, to finance the system years down the road.

Ford said the liability might be a problem for a corporation that could someday go out of business. But he said that isn't expected to become a problem for the U.S. government. "It [the unfunded liability] would only be important if there was a threat that Cuba would take over and send us into bankruptcy," Ford said.

Office of Personnel Management Director Donald Devine said that while the immediate issue is a supplemental plan for new workers, attention must be paid to the regular Civil Service program. Devine said the program is solvent, but has built up an unfunded liability of \$515 billion, "essentially obligating tomorrow's citizens to pay a major portion of the costs for the services we are receiving from federal employees today."